कॉनकॉर एअर लिमिटेड
(भारत सरकार का उद्यम)
CONCOR AIR LIMITED
(A Govt. of India Enterprise)
(A fully owned subsidiary of CONCOR, Ministry of Railways)

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02.11.2021

To,
The Chairperson
Airports Economic Regulatory Authority,
AERA Building, Administrative Complex.
Safdarjung Airport,
New Delhi – 110003

Respected Sir,

Sub: CAL's Counter Comments in response to Federation of Indian Airlines Response letter dated 27.10.2021 to Consultation Paper No. 19/2021-22 in respect of M/s CONCOR Air Limited at Chatrapati Shivaji Maharaj International Airport, Mumbai (CSMIA) for the third control period (FY 2021-22 to FY 2025-26)

We would like to express our sincere gratitude to AERA for inviting counter comments on the response from Federation of Indian Airlines in response to Consultation Paper No. 19/2021-22 in respect of M/s CONCOR Air Limited at Chatrapati Shivaji Maharaj International Airport, Mumbai (CSMIA) for the third control period (FY 2021-22 to FY 2025-26).

We out rightly deny the comment from Federation of Indian Airlines regarding the lack or inadequate state of cargo infrastructure provided by CAL at CSMI Airport. CAL had incured a Capex of approx. 42 crores for constructing the SACT facility. The facility is only 05 years old with a dedicated floor for Departure and Arrival Warehouse. With the ever evolving requirements, CAL is making investments. In FY 2021-22, we have already procured 02 XBIS Machines, 03 DFMD Machines, upgraded our IT infrastructure by updating the Firewall, Backup Software, etc. to ensure smooth operations at SACT with best state of the art security equipments.

The Covid-19 has impacted the global economy including Airlines and Cargo Terminal Operators too. We had approached AERA in 2019-20 for a hike but were advised to approach AERA in 2021-22 as the tariff was revised in 2018. CAL had incurred huge losses in FY 2020-21 due to Covid-19 crisis as our revenues were hit due to grounding of Airlines but our costs were fixed as the infrastructure was required to be maintained all the time. The FY 2021-22 has commenced with a very gloomy scenario. The 2nd Wave of Covid-19 has badly impacted us in the H1 of the FY, CAL has again incurred huge losses. The airlines tariffs are not regulated and they are free to milk the opportunity cost by hiking the tariff for their services whenever demand peaks. However, our tariff is regulated and fixed for a longer duration. In the consultation paper, we have been denied a hike in FY 2021-22 citing Covid-19 crisis. As a trade facilitation measure, we accepted the same and in our response to the consultation paper, we proposed a hike in 2022-23 and subsequent years of the 3rd Control Period.

It is a fallacy that Airlines demands facilities, infrastructure, service levels etc. from us, they charge for the same from their customers but oppose any hike to terminal operators like us.

We are a Government of India Enterprises and our accounts pass through the 03 layers of audit conducted by Internal Auditor, Statutory Auditor and CAG Auditor. The balance sheets and P&L have been submitted to AERA with the nearest to reality projections for balance years of the 3rd control period. We are facilitating the Airlines to the best extent possible be it operations, infrastructure, supporting them with the credit period for their outstanding dues which are never received on time but the comments are too harsh.

The point wise counter comments of CAL are as enumerated below:

Sr. No.	Comment from FIA	Counter Comments from CAL
1	**Review of Tendering Process** Length of License Agreements (1.1.4 of the CP)	It may kindly be noted that CAL is a Government of India Undertaking. As per the rules, the CAL's Accounts are audited at three levels i.e. Internal Audit, Statutory Audit and CAG Audit.
2	**Stakeholder Consultation Meeting – Issue of Poor/lack of Cargo Infrastructure** Regarding no complaints from Users during Stakeholders Consultation meeting (Refer 3.2.1 of CP)	It may please be noted that CAL is a Concessionaire operating the SACT terminal as a Green Terminal. The terminal has been designed for trolley movement by MIAL. In 2016, at the time of commencement of SACT facility, on the request of the Airlines, as a special gesture the Airlines were permitted to load their cargo in trucks from the trollies stuffed by CAL in trucks as the Airlines informed that they had procured the trucks in advance. The Airlines had also agreed to deploy their own man power to load the cargo in their trucks from the trollies which are stuffed by CAL. As per the SOP, we are handling the cargo from the City side, weighing the loads, and putting the loads on XBIS machines for screening and stuffing the screened loads in their trollies. The Airlines are using trucks as agreed. We are operating the facility as designed for the trollies. 1. ETD Machines are already installed in the Warehouse adjacent to the XBIS Machines and being used by the Airlines. 2. Citing the complaints from the Airlines, 02 XBIS Machines have been procured and installed in FY 2021-22. We have also projected the Capex for procurement of 01 big and 01 regular XBIS Machines to cater to the increasing loads at the terminal. 3. There is a sufficient build up staging area provided to the Airline Operators. It may be kindly be noted that there is a limited space to expand at Mumbai Airport. Due to the limited space, a new Airport is already under construction. However, we ensure that the available space is used optimally ensuring maximum usage. 4. We have 01 cold storage room each in Departure and Arrival Warehouse. The same is utilized for storage of perishable cargo whenever required.

		5. It may be noted that the facility is meant for Ready For Carriage Shipment. However, the facility is being used by the users for consolidation/deconsolidation which results in congestion during the peak hours. Already, CAL has taken measures like acceptance of flight based cargo and deployment of additional manpower as docks managers to ensure minimum congestion during peak hours. Also, additional XBIS Machines have been procured and installed which has resulted in less congestion. Further, we are going to incur more Capex to ensure more smooth movement by installing more XBIS Machines. 6. As already explained the above was due to consolidation/deconsolidation activities. The measures taken as per sl. no. 5 above have resulted in less congestion and decrease in dwell time. 7. The facility is run by CAL and all the cargo is managed by CAL manpower directly. Only, the loads stuffed in trucks from the trollies stuffed by CAL manpower is done by Airline employees which was agreed to by them in 2016 at the time of commencement of this facility. 8. As already explained above, the same is the requirement of Airlines and hence done by Airlines as accepted by them in 2016. 9. It may be noted that the SACT building is Basement plus Ground Floor and First Floor. The infra was not utilized as per its purpose. The passenger lift was being utilized for carriage of cargo which leads to its unserviceability. The same is non-operational as it is a non-critical expenditure which is postponed for repair post recovery from Covid-19 crisis. Regarding, ACs, the same are maintained regularly. Currently, the unserviceable VRV system has been replaced with Split ACs wherever required. 10. It may be kindly be noted that there is a limited space to expand at Mumbai Airport. Due to the limited space, a new Airport is already under construction. However, we ensure that the available space is used optimally ensuring maximum usage. 11. CAL is handling freighter operations since May-2019 when Spicejet introduced freighters in domestic sectors. 12. The exhaust fans at arrival and departure are functioning and serviced regularly. 13. The canteen facility is available. The new contract has commenced from August 2021. 14. It may please be noted that all the parties sub contracted by CAL comply with all regulations.

		15. CAL is providing the services as per the SGHA Agreement between CAL & Airlines. The rate comparison with DIAL and BIAL has already been submitted to AERA. We are committed towards the trade and we are developing the infrastructure by incurring huge Capex. But it may be noted that the facilities can only be developed by incurring expenditures and for that CAL will need revenue. It is not possible to develop the infra while being into losses. CAL had spent 42 crores in 2016 to build the terminal which is a huge amount and has less than 10 years to use the facility. The tariff increase is required to make the project viable. Further, it may be noted that the SACT facility is a common facility for the trade and hence utmost caution and responsibility is solicited from all the users while using the infrastructure, equipments, etc. However, it is regretted to state that frequent instances of damage to equipment, infrastructure is reported due to irresponsible use of the facilities provided at the terminal by the users.
3	**Deferment of Capital Expenditure - Regulatory Asset Base** Stoppage of non-safety related capital expenditure (Refer 4.3.1 and Table 2 of CP)	As on date, for the Capex approved, we have already procured and installed 02 XBIS Machines for trade facilitation, 03 DFMDs for security strengthening. Also, an IT Expenditure of Rs. 9.25 lakhs have already been incurred for trade facilitation. The procurement of these 02 XBIS has resulted in smooth handling of cargo and ensure maximum acceptance by Airlines. Had we postponed our procurements, the volumes would have been badly impacted. The proposed Capex is to ensure that the terminal is ready with the evolving demands of the Airlines. Any deferment of the Capex to 4th Control Period will directly impact the Airlines as our Capex is proposed towards procurement and installation of big XBIS for Freighter Cargo, Weighing scale for palletisation cargo,01 more regular XBIS machine as demanded by the Airlines etc. More Capex is proposed towards the IT upgradation which is again required as per the evolving IT requirements with time. On one hand the customer Airlines expect the best class equipment with negligible downtime and disruption to their services and on the other hand they object to our plans for the investment.
4	**Independent Expert Study** Cargo Projections (Refer Table 9 and 5.2.3 of CP)	No Comments.
5	**Abolishment of Royalty Charges/ Concession Fee** Operating &	The concession fee rate is determined by the Airport Operator on which CAL does not have any control.

	Maintenance Expenditure (Refer 6.2.1 of CP)	
6	**Operational Expenditure – Drastic Cost Cutting**	It may be noted that the major proportion of the Operating cost is the manpower cost for handling the cargo. We are a central Government PSU and complying with the rules of Minimum wages defined by the Central Government from time to time. We have to ensure that the facility runs complying with the statutory norms issued by the Authorities from time to time. Also, the operating cost would increase as volumes increase at the terminal. We would require additional manpower, equipment's., electricity consumption, security, tariff warden, etc. to ensure smooth handling of the Airlines cargo. Further, the Infrastructure at SACT needs 24 x 7 monitoring to ensure upkeep of the equipments for the Airlines. Hence, this requires the continuous support from the OEMs for Comprehensive Annual Maintenance, etc. Even when the operations were suspended in FY 2020-21, we were paying to the vendors to maintain the infrastructure. The volumes were too low but we continued with the XBIS Machines and other infrastructure. Hence, we would like to submit that the projections for the Operating Expenditure are reasonable. Regarding CAL Employees, it may be noted that we are already running the facility round the clock with lean staff structure as compared to the Airport/Terminal Industry standards. However, it is ensured there is no compromise in the service level standards. The salaries of the employees of CAL are governed by the DPE Guidelines. The salaries of the government employees is already regulated as a minimum hike in the salaries i.e. 3% annual hike in Basic pay and other hike in DA on quarterly basis. The salaries of CAL's employees were also impacted due to the decision of the Central Government to hold the DA Revisions from July-20 to June-21. The salary shown reduced in FY 2025-26 is due to the fact that the same is for 10 months period as our concession is ending in Jan-26.
7	**Aggregate Revenue Requirement** Return on Revenue (Refer 9.2.4 of CP)	CAL does not agree with the comments from the FIA. In 3% over and above the bank deposit rate, does not cover the even the cost of debt wherever applicable. The cost of equity is always higher than the cost of debt with a risk premium. The FROR proposed by AERA is as per the extensive studies done by the big renowned Investment Banking Firms, etc. It may please be noted that we are operating in a regulated environment and our tariffs are not based on opportunity costs and despite that we are committed to the trade for the best possible service levels without compromising on huge investments that are required to maintain and or upgrade the

		infrastructure/equipments/terminal facilities for the betterment of the trade as a whole.

We hereby request you to approve us a hike as proposed by CAL in its reply to the AERA consultation paper to make the terminal operations viable in the mutual interest of the stakeholders and the custodian.

Yours' faithfully,
For CONCOR Air Limited

Rane
5/11/21

Atul Rane, IRTS
Chief Executive Officer

Cc: Sr. VP (Cargo)/MIAL
VP (Regulatory)/MIAL